

Message Text

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ACTION EB-07

INFO OCT-01 EUR-12 NEA-09 ISO-00 AEC-05 AID-05 CEA-01

CIAE-00 CIEP-01 COME-00 DODE-00 FEAE-00 FPC-01 H-01

INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 /092 W
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R 051728Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7978

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

AMEMBASSY PARIS

AMEMBASSY TEHRAN

AMEMBASSY THE HAGUE

C O N F I D E N T I A L SECTION 01 OF 02 LONDON 01831

BEIRUT PASS BAGHDAD

E.O. 11652: GDS

TAGS: ENRG, IZ

SUBJECT: BPC NEGOTIATIONS

REF: BAGHDAD 46, 40, 29

1. ENSOR (MOBIL) GAVE US CONFIDENTIAL RUNDOWN ON DETAILS OF NEDC AGREEMENT WITH NON-NATIONALIZED PARTNERS FOR ACCESS TO BPC OIL. INFORMATION SHOULD BE CLOSELY HELD SINCE IRAQIS NOT BEING TOLD SO THEY CAN TURN A BLIND EYE TO INTER-COMPANY ARRANGEMENTS. HE ALSO BELIEVED EXCHANGE OF LETTERS ON COMPENSATION BETWEEN BPC AND GOI HAD WORKED OUT QUITE WELL ALTHOUGH THERE WERE STILL A FEW ITEMS TO CLEAR UP.

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2. ENSOR STATES THAT SO FAR AS NEDC (MOBIL AND EXXON) ACCESS TO CRUDE IS CONCERNED, FROM AN ECONOMIC POINT OF VIEW IT IS IN VIRTUALLY IDENTICAL SITUATION AS IF IT HAD NOT BEEN NATIONALIZED, WITH BUT ONE QUALIFICATION: IRAQ NATIONALIZED 43 PERCENT OF BPC SO NEDC IS GETTING ITS SHARE OF OIL BASED ON REMAINING 57 PERCENT ONLY. NEDC IS RECEIVING OIL, HOWEVER, ON SAME ECONOMIC TERMS AS NON-NATIONALIZED COMPANIES, BP AND CFP, WHO HAVE AGREED TO EXTEND ACCESS ON EQUAL SHARE BASIS. BP AND CFP MUST FORMALLY NOMINATE SHIPS AND OBVIOUSLY CHARTER TANKERS WIL CARRY NEDC LIFTINGS.

3. ENSOR ACKNOWLEDGED THAT ACCESS ARRANGEMENTS COULD COLLAPSE UNDER CERTAIN CIRCUMSTANCES AND THERE PROBABLY WOULD BE LITTLE RECOURSE. ALTHOUGH NEDC HAS SOLID LEGAL POSITION UNDER BOTH BRITISH AND FRENCH JURISPRUDENCE ON NATIONALIZATION ISSUE (DESPITE WHAT IRAQIS MIGHT ARGUE),

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INR-07 INT-05 L-02 NSAE-00 NSC-05 OMB-01 PM-03 RSC-01

SAM-01 OES-03 SP-02 SS-15 STR-01 TRSE-00 FRB-03 /092 W

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R 051728Z FEB 75

FM AMEMBASSY LONDON

TO SECSTATE WASHDC 7979

INFO AMEMBASSY ABU DHABI

AMEMBASSY BEIRUT

AMEMBASSY DOHA

AMEMBASSY JIDDA

AMEMBASSY KUWAIT

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C O N F I D E N T I A L SECTION 02 OF 02 LONDON 01831

AS A PRACTICAL MATTER NEDC WOULD HAVE GREAT DIFFICULTY IN OBTAINING SATISFACTION IN COURT. LAW SUIT INVOLVING RIGHT TO PAPER CERTIFICATE SHARES OF BPC IS UNIMPORTANT: RIGHT OF ACCESS AS SHAREHOLDER IS IMPORTANT BUT DIFFERENT STORY PERHAPS. ENSOR SAID NEDC HAS WRITTEN TO OTHER SHAREHOLDERS, HOWEVER, POINTING OUT THAT ITS ULTIMATE LEGAL POSITION HAS NOT BEEN AFFECTED OR COMPROMISED. ENS SPECULATED THAT WHILE CRUDE SUPPLY SITUATION IS EASY, NEDC CONTINUES TO CONTRIBUTE ITS SHARE OF CAPITAL REQUIREMENTS OF BPC, ETC., THERE IS NOT TOO MUCH CHANCE ACCESS ARRANGEMENT WILL WITHER AWAY. BUT WHEN CRUDE SUPPLY SITUATION ONCE AGAIN GETS TIGHT, ENSOR FEARS CFP ESPECIALLY WILL BE TEMPTED TO RENEGE.

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4. ON COMPENSATION AGREEMENT, ENSOR SAID NET AMOUNT THROUGH END OF 1974 WAS SUBSTANTIAL; IT WORKED OUT TO BE INTERIM STERLING PAYMENT EQUIVALENT TO \$320 MILLION. PRECISE BALANCE IS TO BE WORKED OUT BY MIDYEAR WHEN ARRANGEMENTS FOR FUTURE OPERATIONS ARE HASHED OUT. ENSOR SAID IRAQIS WERE DIFFICULT BUT FAIRLY REASONABLE AND NON-POLITICAL ABOUT PARTICIPATION, TAXATION, ROYALTIES, ETC., AND THIS ENABLED THEM TO AGREE ON A ROUND FIGURE WHICH SPLIT THE DIFFERENCE. HE CONSIDERED THIS AN UNUSUAL STEP WHICH THEY ARE NORMALLY RELUCTANT TO TAKE.

5. ENSOR CONFIRMED THAT SMALL COMMITTEE SYSTEM, IN WHICH GUT ISSUES ARE SETTLED ON BASIS OF VOTE BY 3 OUT OF 4 MAJOR SHAREHOLDERS (SHELL, BP, CFP, NEDC), IS STILL FUNCTIONING UNDER GENERAL MANAGEMENT OF BPC BOARD OF DIRECTORS.

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Margaret P. Grafeld
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05 JUL 2006

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